

Regional Library System

**For the Years Ended
June 30, 1997, and June 30, 1996**

Arthur A. Hayes, Jr., CPA

Director

Charles K. Bridges, CPA

Assistant Director

Debra D. Bloomingburg, CPA

Audit Manager

Karna E. Logan

In-Charge Auditor

Teressa Caldwell

Mike Edwards, CPA

Jason Henderson

Staff Auditors

Jane Russ

Editor

January 20, 1999

The Honorable Don Sundquist, Governor
and
The Honorable Riley C. Darnell, Secretary of State
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have conducted a financial and compliance audit of selected programs and activities of the Regional Library System for the years ended June 30, 1997, and June 30, 1996.

We conducted our audit in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the library system's compliance with the provisions of laws, regulations, contracts, and grants significant to the audit. Management of the Regional Library System is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit disclosed certain findings which are detailed in the Objectives, Methodologies, and Conclusions section of this report. The system's administration has responded to the audit findings; we have included the responses following each finding. We will follow up the audit to examine the application of the procedures instituted because of the audit findings.

We have reported other less significant matters involving the system's internal controls and/or instances of noncompliance to the Regional Library System's management in a separate letter.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/rm
98/066

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Regional Library System
For the Years Ended June 30, 1997, and June 30, 1996

AUDIT SCOPE

We have audited the Regional Library System for the period July 1, 1995, through June 30, 1997. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of equipment, payroll and personnel, expenditures, and revenue. The audit was conducted in accordance with generally accepted government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT FINDINGS

Compliance With Equipment Procedures Needs Improvement *

Equipment items were not always tagged or added to the inventory listing; serial numbers were not always accurate or included on the inventory listing; equipment items were added to the inventory listing at the wrong purchase price; equipment was not always charged to the correct object code; computer equipment and computer software were not always tagged and identified separately on the inventory listing; equipment items were added to the equipment listing without a tag number; the location of equipment items was not always correct on the inventory listing; and access to the library was not adequately controlled (page 2).

A Regional Director Did Not Meet the Qualifications for the Position Held

The Regional Director at Shiloh Regional Library did not meet the minimum job qualifications for the position when appointed (page 6).

Compliance With Expenditures Procedures Needs Improvement *

Several weaknesses related to expenditures were noted at the regional libraries including late payments to vendors, lack of approval on invoices, and failure to cancel invoices to preclude duplicate payment (page 7).

* This finding is repeated from prior audits.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

Audit Report
Regional Library System
For the Years Ended June 30, 1997, and June 30, 1996

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Post-Audit Authority	1
Background	1
AUDIT SCOPE	1
OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS	2
Equipment	2
Finding 1 - Compliance with equipment procedures needs improvement	2
Payroll and Personnel	6
Finding 2 - The Regional Director at Shiloh Regional Library did not meet the minimum qualifications for the position	6
Expenditures	7
Finding 3 - Compliance with expenditure procedures needs improvement	7
Revenue	8
PRIOR AUDIT FINDINGS	9
Resolved Audit Findings	9
Repeated Audit Findings	9

TABLE OF CONTENTS (CONT.)

	<u>Page</u>
APPENDIX	10
Regional Libraries and Locations	10
Funding Sources – Fiscal Year Ended June 30, 1997	11
Funding Sources – Fiscal Year Ended June 30, 1996	11

Regional Library System

For the Years Ended June 30, 1997, and June 30, 1996

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Regional Library System. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The mission of the regional library system is to purchase and process library books and other materials for local public libraries, assist local libraries in developing programs and services, and train local librarians and trustees. In addition, bookmobile services are provided to rural areas, day care centers, Head Start programs, and nursing homes.

The Regional Library System consists of 12 multi-county libraries and four metropolitan single-county libraries. Each regional library is governed by a board of directors. The multi-county regional library boards have two representatives from each county in the region. The metropolitan single-county regional library boards have at least seven members representing the county and participating municipalities.

AUDIT SCOPE

We have audited the Regional Library System for the period July 1, 1995, through June 30, 1997. Our audit scope included a review of management’s controls and compliance with policies, procedures, laws, and regulations in the areas of equipment, payroll and personnel, expenditures, and revenue. The audit was conducted in accordance with generally accepted

government auditing standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

EQUIPMENT

The objectives of our review of equipment procedures and controls were to determine whether

- a complete and valid listing of property and equipment was maintained;
- costs associated with sold, abandoned, damaged, or obsolete assets were deleted from the property listing;
- equipment purchases charged to federal grants, if applicable, were in compliance with grant requirements; and
- equipment was adequately safeguarded.

We interviewed key personnel to gain an understanding of each library's procedures and controls over equipment. We also reviewed supporting documentation and tested samples of equipment. We determined that compliance with equipment procedures needs improvement as discussed in finding 1. In addition to the finding, other minor weaknesses came to our attention and have been reported to management in a separate letter.

1. Compliance with equipment procedures needs improvement

Finding

The regional libraries, as noted in the prior two audits, do not have strong controls over equipment. The following weaknesses were noted:

- Equipment items were not always tagged or added to the inventory listing;
- Serial numbers were not always accurate or included on the inventory listing;
- Equipment items were added to the inventory listing at the wrong purchase price;
- Equipment was not always charged to the correct object code;
- Computer equipment and computer software were not always tagged and identified separately on the inventory listing;
- Equipment items were added to the equipment listing without a tag number;
- The location of equipment items was not always correct on the inventory listing;

- Access to the library was not adequately controlled.

Management concurred with the prior audit finding and stated that they would “continue to enforce applicable state guidelines as outlined for equipment control.” However, the equipment guidelines were not followed. The weaknesses noted at each regional library are described below.

Blue Grass Regional Library

- Since all employees had a key to the building, access to the library was not adequately controlled.
- Items were added to the inventory listing at the wrong purchase price.

Caney Fork Regional Library

- Items were added to the inventory listing at the wrong purchase price.
- Since all employees had a key to the building, access to the library was not adequately controlled.
- Equipment items were charged to the wrong object code.

Clinch-Powell Regional Library

- Since all employees had a key to the building, access to the library was not adequately controlled.
- The serial numbers of equipment items were recorded incorrectly on the inventory listing.
- Equipment items were charged to the wrong object code.

Forked Deer Regional Library

- Equipment items were charged to the wrong object code.
- The serial numbers of equipment items were recorded incorrectly on the inventory listing.
- Not all equipment was tagged or added to the inventory listing.
- Computer components were not individually added to the inventory listing.

Fort Loudoun Regional Library

- Since all employees had a key to the building, access to the library was not adequately controlled.
- Items that were surplus, missing, or transferred to another region were inaccurately included on the inventory listing.
- Computer software was not tagged or added to the inventory listing.

- Equipment items were charged to the wrong object code.
- The serial numbers of equipment were recorded incorrectly on the inventory listing.

Highland Rim Regional Library

- Since all employees had a key to the building, access to the library was not adequately controlled.
- Equipment items were charged to the wrong object code.
- The location of equipment items was not always correct on the inventory listing.

Nolichucky Regional Library

- Since all employees had a key to the building, access to the library was not adequately controlled.
- Computer software was not always tagged.
- Serial numbers of equipment items were not always listed or complete on the inventory listing.

Reelfoot Regional Library

- The serial numbers of equipment items were recorded incorrectly on the inventory listing.
- Computer equipment was not always identified separately on the inventory listing.
- Equipment items were charged to the wrong object code.

Shiloh Regional Library

- The serial numbers of equipment items were recorded incorrectly on the inventory listing.

Upper Cumberland Regional Library

- Since all employees had a key to the building, access to the library was not adequately controlled.
- Equipment items were charged to the wrong object code.
- The serial numbers of equipment items were recorded incorrectly on the inventory listing.
- Computer equipment was not always identified separately on the inventory listing.

Warioto Regional Library

- The serial numbers of equipment items were recorded incorrectly on the inventory listing.

- Since all employees had a key to the building, access to the library was not adequately controlled.

Watauga Regional Library

- Since all employees had a key to the building, access to the library was not adequately controlled.
- The serial numbers of equipment items were recorded incorrectly on the inventory listing.
- Equipment items were charged to the wrong object code.
- Tag numbers were not always assigned to items added to the inventory listing.

The *Tennessee Regional Library System Multi-County Regional Libraries Handbook*, Section D10.5 “Equipment Control and Surplus Property,” states that all equipment purchases over \$500 and sensitive equipment items in excess of \$100 should be maintained on an equipment inventory listing. Items considered as sensitive equipment includes movie projectors, video cassette recorders, televisions, communications equipment, tape recorders, typewriters, computers, cameras, computer software, calculators, and vacuum cleaners.

Failure to tag equipment or to safeguard access to the regional libraries could result in theft or loss. Also, accounting for all equipment is difficult if items are omitted or recorded incorrectly on the equipment listing.

Recommendation

All equipment should be promptly tagged when received. Inventory listings should be corrected, and lost, stolen, or surplus equipment should be removed. Equipment over \$500 or sensitive equipment over \$100 should be individually tagged and identified on the inventory listing with correct and complete information. Management should review the need for all employees to have a key to the building.

Management’s Comment

We concur.

PAYROLL AND PERSONNEL

The objectives of our review of payroll and personnel procedures and controls were to determine whether

- payroll disbursements were made for work authorized and performed;

- payroll was computed using rates and other factors in accordance with contracts and relevant laws and regulations;
- payroll was recorded in the right amount and period;
- payroll was distributed properly by account, fund, and budget category; and
- employees were qualified for their position.

We interviewed key personnel to gain an understanding of each library's procedures and controls over payroll and personnel. We also reviewed supporting documentation and tested samples of payroll and personnel. We determined that one Regional Library Director was not qualified for the position as discussed in finding 2. In addition to the finding, other minor weaknesses came to our attention and have been reported to management in a separate letter.

2. The Regional Director at Shiloh Regional Library did not meet the minimum qualifications for the position

Finding

The Regional Director at Shiloh Regional Library did not meet the minimum job qualifications for the position when appointed. The employee did not graduate from an accredited four-year college or university and did not have a master's degree in Library Science from an accredited college or university.

The *Handbook for Regional Library Directors*, Section RCL - B20.1 states that the minimum qualifications for the Regional Library Director position are "education equivalent to graduation from an accredited four-year college or university and a master's degree in Library Science from an accredited college or university."

Recommendation

The Regional Library should follow proper policies and procedures when hiring employees for the Regional Library System.

Management's Comment

We concur.

EXPENDITURES

The objectives of our review of the procedures and controls over expenditures were to determine whether

- expenditures were for goods or services authorized and received;
- all expenditures incurred for goods or services were identified and recorded;
- expenditures for goods or services were recorded in the right account, fund, budget category, period, and amount; and
- federal expenditures were in compliance with grant requirements.

We interviewed key personnel to gain an understanding of each library's procedures and controls over expenditures. We also reviewed supporting documentation and tested samples of expenditures. We determined that compliance with expenditure procedures needs improvement as discussed in finding 3. In addition to the finding, other minor weaknesses came to our attention and have been reported to management in a separate letter.

3. Compliance with expenditure procedures needs improvement

Finding

The regional libraries, as noted in the prior two audits, do not always comply with expenditure procedures. The specific weaknesses noted at each regional library are described below.

Caney Fork Regional Library

- Supporting documentation could not be located for one of 40 expenditures tested (3%). Thus, we could not determine the propriety of this expenditure.
- Three of 39 expenditures tested (7.7%) were not adequately supported or properly approved.
- Invoices for seven of 39 expenditures tested (17.9%) were not paid in a timely manner.
- Invoices for three of 39 expenditures tested (7.7%) were not canceled to preclude duplicate payment.

Clinch-Powell Regional Library

- Invoices for 33 of 40 expenditures tested (82.5%) were not canceled to preclude duplicate payment.

Upper Cumberland Regional Library

- Invoices for five of 40 expenditures tested (12.5%) were not approved by the director for payment.
- Invoices for eight of 40 expenditures tested (20%) were not properly canceled to preclude duplicate payment.

Watauga Regional Library

- Invoices for 35 of 40 expenditures tested (87.5%) were not approved by the director for payment.
- Invoices for four of 29 expenditures tested (13.8%) did not document the receipt of goods or services.

The *Handbook for Regional Library Directors* contains procedures for regional library personnel to follow when purchasing goods and disbursing funds.

Recommendation

The directors of each regional library should ensure that all personnel comply with the policies and procedures related to expenditures.

Management's Comment

We concur.

REVENUE

The objectives of our review of the procedures and controls over revenue were to determine whether

- transactions were accurate and valid;
- cash collected during the audit period was deposited timely;
- cash was accounted for in the appropriate year;
- controls over cash were adequate; and
- revenues or fees were billed, charged, and recorded at the correct amount.

We interviewed key personnel to gain an understanding of each library's procedures and controls over revenue. We also reviewed supporting documentation and tested samples of revenue transactions. We had no findings related to revenue; however, other minor weaknesses came to our attention and have been reported to management in a separate letter.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Regional Library System filed its report with the Department of Audit on July 7, 1997. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDINGS

The current audit disclosed that the Regional Library System has corrected previous audit findings concerning regional directors' observing regular office hours and documenting and monitoring compensatory time earned and used.

REPEATED AUDIT FINDINGS

The prior audit report also contained findings concerning compliance with equipment procedures and compliance with expenditure procedures. These findings have not been resolved and are repeated in the applicable sections of this report.

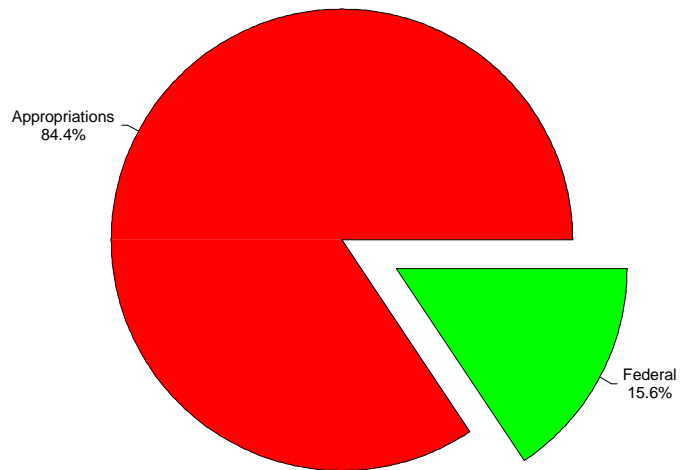
APPENDIX

Regional Libraries and locations:

<u>MULTICOUNTY</u>	<u>LOCATION</u>
Blue Grass Regional Library	Columbia
Caney Fork Regional Library	Sparta
Clinch-Powell Regional Library	Clinton
Forked Deer Regional Library	Halls
Fort Loudoun Regional Library	Athens
Highland Rim Regional Library	Murfreesboro
Nolichucky Regional Library	Morristown
Reelfoot Regional Library	Martin
Shiloh Regional Library	Jackson
Upper Cumberland Regional Library	Cookeville
Warioto Regional Library	Clarksville
Watauga Regional Library	Johnson City
 <u>SINGLE-COUNTY</u>	
Chattanooga – Hamilton County	
Knoxville – Knox County	
Memphis – Shelby County	
Nashville – Davidson County	

Funding Sources

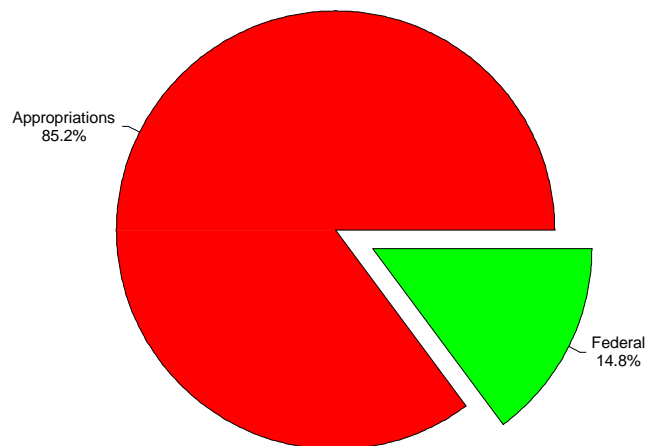
Fiscal Year Ended June 30, 1997 (Unaudited)



Source: Division of Regional Libraries of the Department of State

Funding Sources

Fiscal Year Ended June 30, 1996 (Unaudited)



Source: Division of Regional Libraries of the Department of State